

QUARTERLY STATEMENT
OF THE
Preferred Health Partnership of Tennessee, Inc.

of
Knoxville
in the state of
Tennessee

TO THE
Insurance Department
OF THE STATE OF
Tennessee

FOR THE QUARTER ENDED
March 31, 2004

2004

HEALTH QUARTERLY STATEMENT

AS OF March 31, 2004

OF THE CONDITION AND AFFAIRS OF THE

Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253 (Current Period)	1253 (Prior Period)	NAIC Company Code	95749	Employer's ID Number	62-1546662
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Date Incorporated or Organized	01/01/1994		Date Commenced Business	01/01/1994		
Statutory Home Office	1420 Centerpoint Blvd. (Street and Number)		Knoxville , TN 37932 (City, or Town, State and Zip Code)			
Main Administrative Office			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Mail Address	1420 Centerpoint Blvd. (Street and Number or P.O. Box)		Knoxville, TN 37932 (City, or Town, State and Zip Code)			
Primary Location of Books and Records			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Internet Website Address						
Statutory Statement Contact	Melissa R Anderson (Name)		(865)670-7282 (Area Code)(Telephone Number)(Extension)			
	manders1@covhlth.com (E-Mail Address)		(865)470-7461 (Fax Number)			
Policyowner Relations Contact			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)470-7470 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Lance K. Hunsinger, President
Jeffery S. Collake, Chief Financial Officer #
Jeffery S. Collake, Secretary

OTHERS

DIRECTORS OR TRUSTEES

Kenneth Truman Creed
Michael McKay Dudley
Randolph Murphree Lowry MD
Cletus Joseph McMahon Jr. MD
David A. Nowiski
Anthony L. Spezia
Dean Turner MD #

Thomas Rowe Bell
Daniel J. David MD
Marvin H. Eichorn
Kenneth Frederick Luckman MD
Michael Earl Mitchell MD
Francis H. Olmstead Jr.
Sandra Mathy #

State of Tennessee
County of Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Lance K. Hunsinger	Jeffery S. Collake	Jeffery S. Collake
(Printed Name)	(Printed Name)	(Printed Name)
President	Chief Financial Officer	Secretary
(Title)	(Title)	(Title)

Subscribed and sworn to before me this	a. Is this an original filing?	Yes[X] No[]
day of , 2004	b. If no,	
	1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	

(Notary Public Signature)

ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Bonds	48,502,274		48,502,274	47,651,741
2.	Stocks:				
2.1	Preferred stocks				
2.2	Common stocks				
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate:				
4.1	Properties occupied by the company (less \$..... encumbrances)				
4.2	Properties held for the production of income (less \$..... encumbrances)				
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$.....6,796,796), cash equivalents (\$.....) and short-term investments \$.....)	6,796,796		6,796,796	5,759,406
6.	Contract loans (including \$..... premium notes)				
7.	Other invested assets				
8.	Receivable for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	55,299,070		55,299,070	53,411,147
11.	Investment income due and accrued	490,556		490,556	888,798
12.	Premiums and considerations:				
12.1	Uncollected premiums and agents' balances in the course of collection				
12.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums)				
12.3	Accrued retrospective premiums				
13.	Reinsurance:				
13.1	Amounts recoverable from reinsurers				
13.2	Funds held by or deposited with reinsured companies				
13.3	Other amounts receivable under reinsurance contracts				
14.	Amounts receivable relating to uninsured plans				
15.1	Current federal and foreign income tax recoverable and interest thereon ...				
15.2	Net deferred tax asset				
16.	Guaranty funds receivable or on deposit				
17.	Electronic data processing equipment and software				
18.	Furniture and equipment, including health care delivery assets (\$.....)				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Receivables from parent, subsidiaries and affiliates	5,515,310	5,515,310		5,863,090
21.	Health care (\$.....) and other amounts receivable				
22.	Other assets nonadmitted				
23.	Aggregate write-ins for other than invested assets				
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	61,304,936	5,515,310	55,789,626	60,163,035
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	TOTALS (Lines 24 and 25)	61,304,936	5,515,310	55,789,626	60,163,035
DETAILS OF WRITE-INS					
0901	.....			
0902	.....			
0903	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	A/R Risk Share				
2302.	0				
2303	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)				

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)	1,235,082		1,235,082	1,421,510
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses	11,290		11,290	11,290
4.	Aggregate health policy reserves	10,826,641		10,826,641	10,826,641
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserve				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	11,737,305		11,737,305	11,498,675
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15.	Amounts due to parent, subsidiaries and affiliates	131,411		131,411	42,352
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured accident and health plans				
21.	Aggregate write-ins for other liabilities (including \$..... current)	14,082,990		14,082,990	14,082,990
22.	Total liabilities (Lines 1 to 21)	38,024,719		38,024,719	37,883,458
23.	Common capital stock	X X X	X X X	1,000	1,000
24.	Preferred capital stock	X X X	X X X		
25.	Gross paid in and contributed surplus	X X X	X X X	61,379,848	61,379,848
26.	Surplus notes	X X X	X X X		
27.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
28.	Unassigned funds (surplus)	X X X	X X X	(43,615,941)	(39,101,271)
29.	Less treasury stock, at cost:				
29.1	..... shares common (value included in Line 23 \$.....)	X X X	X X X		
29.2	..... shares preferred (value included in Line 24 \$.....)	X X X	X X X		
30.	Total capital and surplus (Lines 23 to 28 minus Line 29)	X X X	X X X	17,764,907	22,279,577
31.	Total liabilities, capital and surplus (Lines 22 and 30)	X X X	X X X	55,789,626	60,163,035
DETAILS OF WRITE-INS					
2101.	Accrued Run-Out Costs	14,082,990		14,082,990	14,082,990
2102.	Grier Decree Accrual				
2103.	Reserve for Transplants				
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	14,082,990		14,082,990	14,082,990
2701	.....	X X X	X X X		
2702	.....	X X X	X X X		
2703	.....	X X X	X X X		
2798.	Summary of remaining write-ins for Line 27 from overflow page	X X X	X X X		
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	396,520	399,444
2.	Net premium income (including \$..... non-health premium income)	X X X		141,606
3.	Change in unearned premium reserves and reserves for rate credits	X X X		
4.	Fee-for-service (net of \$..... medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X	217,068	135
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	217,068	141,741
Hospital and Medical:				
9.	Hospital/medical benefits			2,409
10.	Other professional services		89,059	230
11.	Outside referrals			
12.	Emergency room and out-of-area			
13.	Prescription drugs		(65)	(1,096,733)
14.	Aggregate write-ins for other hospital and medical		(107,137)	79,182
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		(18,143)	(1,014,912)
Less:				
17.	Net reinsurance recoveries			
18.	Total hospital and medical (Lines 16 minus 17)		(18,143)	(1,014,912)
19.	Non-health claims			
20.	Claims adjustment expenses, including \$..... cost containment expenses			354,091
21.	General administrative expenses			1,015,384
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		(18,143)	354,563
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	235,211	(212,822)
25.	Net investment income earned		497,331	801,840
26.	Net realized capital gains (losses)		28,682	349,356
27.	Net investment gains or (losses) (Lines 25 plus 26)		526,013	1,151,196
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
29.	Aggregate write-ins for other income or expenses			
30.	Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	761,224	938,374
31.	Federal and foreign income taxes incurred	X X X		
32.	Net income (loss) (Lines 30 minus 31)	X X X	761,224	938,374
DETAILS OF WRITE-INS				
0601.	Other Revenue	X X X		135
0602.	State Admin Revenue	X X X	217,068	
0603	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	217,068	135
0701	.....	X X X		
0702	.....	X X X		
0703	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Recoveries		(107,137)	(168,982)
1402.	Risk Share			248,164
1403	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		(107,137)	79,182
2901	.....		
2902	.....		
2903	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	22,279,577	17,929,640
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32	761,224	4,510,536
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Net unrealized capital gains and losses		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax		
39.	Change in nonadmitted assets	(5,275,894)	(160,599)
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus		
48.	Net change in capital and surplus (Lines 34 to 47)	(4,514,670)	4,349,937
49.	Capital and surplus end of reporting period (Line 33 plus 48)	17,764,907	22,279,577
DETAILS OF WRITE-INS			
4701.	Miscellaneous		
4702	.....	
4703	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	0	0	186
REVENUES:			
1. TennCare Capitation	0	0	195,632
2. Investment	526,014	526,014	3,614,841
3. Other Revenue	0	0	135
State Admin Revenue	217,067	217,067	1,249,104
4. TOTAL REVENUES (Lines 1 to 3)	743,081	743,081	5,059,712
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	(17,895)
6. Fee-For-Service Physician Services	0	0	0
7. Inpatient Hospital Services	0	0	(31,017)
8. Outpatient Services	89,059	89,059	0
9. Emergency Room Services	0	0	0
10. Mental Health Services	0	0	0
11. Dental Services (Capitated & FFS)	0	0	0
12. Vision Services (Capitated , FFS & Opthamology)	0	0	0
13. Pharmacy Services (Capitated & FFS)	(65)	(65)	(1,287,199)
14. Home Health Services	0	0	0
15. Chiropractic Services	0	0	0
16. Radiology Services	0	0	0
17. Laboratory Services	0	0	0
18. Durable Medical Equipment Services	0	0	0
19. Transportation Services (Capitated)	0	0	0
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	0	0	0
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	0	0	0
Anesthesiology - FFS Hosp & Other	0	0	0
Gastroenterology	0	0	0
Preventive Medicine	0	0	0
Ped Emergency Medicine - FFS Hospital	0	0	0
IBNR	0	0	0
Risk Share	0	0	2,589,946
24. Subtotal (Lines 5 to 23)	88,994	88,994	1,253,835
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	0	0	0
27a Recoveries	107,137	107,137	704,659
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	107,137	107,137	704,659
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	(18,143)	(18,143)	549,176

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		
	Current Period	Year to Date Total	Year to Date Total
Administration:			
31. Compensation (Including Allocated Costs)	2,276,258	2,276,258	9,711,431
32. Marketing (Including Allocated Costs)	653	653	6,931
33. Premium Tax Expense	103,220	103,220	440,775
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	207,696	207,696	948,249
35. Other Administration (Provide detail)			
Printing	75,698	75,698	271,087
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	83,219	83,219	153,139
Legal Fees	1,677	1,677	6,993
Liquidated Damages	300,640	300,640	1,203,280
Outside Services	100,265	100,265	329,948
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	361	361	3,328
Dues, Fees & Licenses	339	339	53,148
Education & Seminars	308	308	2,134
Meals & Entertainment	275	275	1,627
Office Supplies	42	42	1,622
Minor Equipment	0	0	22
Travel	1,139	1,139	6,068
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	387	387	902
Telephone/Beepers/Cellular Phones	27	27	124
Temp/Contract Personnel	6,487	6,487	56,759
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	(4,053,559)
Program Run Out Expense	0	0	0
State Admin Revenue	(4,943,855)	(4,943,855)	(17,059,131)
Miscellaneous Expense	471	471	655,976
Total DIRECT Expenses	(1,784,693)	(1,784,693)	(7,259,147)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	131,144	131,144	568,844
Printing	7,847	7,847	141,915
Postage	87,228	87,228	413,518
Legal Fees	93,029	93,029	189,293
Outside Services	327,342	327,342	954,943
Board & Committee Fees	33,628	33,628	89,638
Survey Fees	40,869	40,869	65,330
Telephone/Beepers/Cellular Phones	59,532	59,532	240,337
Books & Subscriptions	19,576	19,576	82,708
Minor Equipment	47,316	47,316	43,690
Computer Supplies	0	0	289
Dues, Fees & Licenses	26,215	26,215	356,822
Education & Seminars	7,674	7,674	58,092
Meals & Entertainment	6,928	6,928	28,996
Office Supplies	23,048	23,048	129,773
Travel	17,997	17,997	78,995
Miscellaneous Expense	36,660	36,660	279,965
Franchise, Excise & Property Taxes & Sales/Use Tax	47,453	47,453	108,812
Insurance	86,990	86,990	387,966
Leases & Rentals of equipment	34,638	34,638	145,200
Repairs/Maintenance Agreements	90,144	90,144	538,554
Relocation Expense Total	0	0	13,692
Training and Orientation Total	0	0	0
Temp/Contract Personnel	150,070	150,070	873,620
Covenant Management Fees	409,363	409,363	1,468,156
Total ALLOCATED Expenses	1,784,692	1,784,692	7,259,148
36. TOTAL ADMINISTRATION (Lines 31 to 36)	(0)	(0)	0
FIT & Excise Tax	0	0	0
37. Total Other Expenses:	0	0	0
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	(18,143)	(18,143)	549,176
39. NET INCOME (LOSS) (Line 4 less Line 38)	761,224	761,224	4,510,536

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	396,520	396,520	1,575,934
REVENUES:			
1. TennCare Capitation	51,902,508	51,902,508	240,947,307
2. Investment	470	470	2,341
3. Other Revenue			
IBNR / Capitation Revenue Receivable	25,334,472	25,334,472	18,842,234
Premium Tax	(6,871)	(6,871)	(322,160)
4. TOTAL REVENUES (Lines 1 to 3)	77,230,578	77,230,578	259,469,722
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	386,419	386,419	1,675,000
6. Fee-For-Service Physician Services	7,907,198	7,907,198	21,152,510
7. Inpatient Hospital Services	45,713,382	45,713,382	126,729,916
8. Outpatient Services	15,652	15,652	3,336,119
9. Emergency Room Services	4,350,066	4,350,066	11,477,633
10. Mental Health Services	16,108	16,108	18,409
11. Dental Services (Capitated & FFS)	(346)	(346)	12,498
12. Vision Services (Capitated , FFS & Opthamology)	217,621	217,621	823,292
13. Pharmacy Services (Capitated & FFS)	(3,517)	(3,517)	38,160,121
14. Home Health Services	115,643	115,643	439,080
15. Chiropractic Services	0	0	0
16. Radiology Services	47,886	47,886	156,046
17. Laboratory Services	10,459,488	10,459,488	24,737,079
18. Durable Medical Equipment Services	2,431,339	2,431,339	6,911,188
19. Transportation Services (Capitated)	1,261,147	1,261,147	4,500,642
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,480,860	1,480,860	6,972,921
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	412,998	412,998	1,206,908
Anesthesiology - FFS Hosp & Other	878,543	878,543	3,255,732
Gastroenterology	7,877	7,877	30,454
Preventive Medicine	748,109	748,109	3,149,797
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	45,289	45,289	284,075
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	76,491,762	76,491,762	255,029,421
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	104,052	104,052	132,638
27a Recoveries	195,191	195,191	246,053
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	299,243	299,243	378,692
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	76,192,519	76,192,519	254,650,729

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Year to Date Total
Administration:			
31. Compensation (Including Allocated Costs)	0	0	0
32. Marketing (Including Allocated Costs)	0	0	0
33. Premium Tax Expense	1,038,060	1,038,060	4,818,993
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	0	0	0
35. Other Administration (Provide detail)			
Printing	0	0	0
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Liquidated Damages	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Minor Equipment	0	0	0
Travel	0	0	0
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	0	0	0
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
Miscellaneous Expense	0	0	0
Total DIRECT Expenses	1,038,060	1,038,060	4,818,993
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	0	0	0
Printing	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Survey Fees	0	0	0
Telephone/Beepers/Cellular Phones	0	0	0
Books & Subscriptions	0	0	0
Minor Equipment	0	0	0
Computer Supplies	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Travel	0	0	0
Miscellaneous Expense	0	0	0
Franchise, Excise & Property Taxes & Sales/Use Tax	0	0	0
Insurance	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Relocation Expense Total	0	0	0
Training and Orientation Total	0	0	0
Temp/Contract Personnel	0	0	0
Covenant Management Fees	0	0	0
Total ALLOCATED Expenses	0	0	0
36. TOTAL ADMINISTRATION (Lines 31 to 36)	1,038,060	1,038,060	4,818,993
FIT & Excise Tax	0	0	0
37. Total Other Expenses:	0	0	0
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	77,230,578	77,230,578	259,469,722
39. NET INCOME (LOSS) (Line 4 less Line 38)	(0)	(0)	0

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	396,520	396,520	1,576,120
REVENUES:			
1. TennCare Capitation	51,902,508	51,902,508	241,142,939
2. Investment	526,484	526,484	3,617,182
3. Other Revenue	0	0	135
State Admin Revenue	217,067	217,067	1,249,104
IBNR / Capitation Revenue Receivable	25,334,472	25,334,472	18,842,234
Premium Tax	(6,871)	(6,871)	(322,160)
4. TOTAL REVENUES (Lines 1 to 3)	77,973,660	77,973,660	264,529,434
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	386,419	386,419	1,657,105
6. Fee-For-Service Physician Services	7,907,198	7,907,198	21,152,510
7. Inpatient Hospital Services	45,713,382	45,713,382	126,698,899
8. Outpatient Services	104,711	104,711	3,336,119
9. Emergency Room Services	4,350,066	4,350,066	11,477,633
10. Mental Health Services	16,108	16,108	18,409
11. Dental Services (Capitated & FFS)	(346)	(346)	12,498
12. Vision Services (Capitated , FFS & Opthamology)	217,621	217,621	823,292
13. Pharmacy Services (Capitated & FFS)	(3,582)	(3,582)	36,872,922
14. Home Health Services	115,643	115,643	439,080
15. Chiropractic Services	0	0	0
16. Radiology Services	47,886	47,886	156,046
17. Laboratory Services	10,459,488	10,459,488	24,737,079
18. Durable Medical Equipment Services	2,431,339	2,431,339	6,911,188
19. Transportation Services (Capitated)	1,261,147	1,261,147	4,500,642
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,480,860	1,480,860	6,972,921
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	412,998	412,998	1,206,908
Anesthesiology - FFS Hosp & Other	878,543	878,543	3,255,732
Gastroenterology	7,877	7,877	30,454
Preventive Medicine	748,109	748,109	3,149,797
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	45,289	45,289	284,075
IBNR	0	0	0
Risk Share	0	0	2,589,946
24. Subtotal (Lines 5 to 23)	76,580,756	76,580,756	256,283,255
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	104,052	104,052	132,638
27a Recoveries	302,328	302,328	950,712
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	406,380	406,380	1,083,350
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	76,174,376	76,174,376	255,199,905

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		
	Current Period	Year to Date Total	Year to Date Total
Administration:			
31. Compensation (Including Allocated Costs)	2,276,258	2,276,258	9,711,431
32. Marketing (Including Allocated Costs)	653	653	6,931
33. Premium Tax Expense	1,141,280	1,141,280	5,259,768
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	207,696	207,696	948,249
35. Other Administration (Provide detail)	0		
Printing	75,698	75,698	271,087
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	83,219	83,219	153,139
Legal Fees	1,677	1,677	6,993
Liquidated Damages	300,640	300,640	1,203,280
Outside Services	100,265	100,265	329,948
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	361	361	3,328
Dues, Fees & Licenses	339	339	53,148
Education & Seminars	308	308	2,134
Meals & Entertainment	275	275	1,627
Office Supplies	42	42	1,622
Minor Equipment	0	0	22
Travel	1,139	1,139	6,068
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	387	387	902
Telephone/Beepers/Cellular Phones	27	27	124
Temp/Contract Personnel	6,487	6,487	56,759
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	(4,053,559)
Program Run Out Expense	0	0	0
State Admin	(4,943,855)	(4,943,855)	(17,059,131)
Miscellaneous Expense	473	473	655,976
Total DIRECT Expenses	(746,631)	(746,631)	(2,440,154)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	131,144	131,144	568,844
Printing	7,847	7,847	141,915
Postage	87,228	87,228	413,518
Legal Fees	93,029	93,029	189,293
Outside Services	327,342	327,342	954,943
Board & Committee Fees	33,628	33,628	89,638
Survey Fees	40,869	40,869	65,330
Telephone/Beepers/Cellular Phones	59,532	59,532	240,337
Books & Subscriptions	19,576	19,576	82,708
Minor Equipment	47,316	47,316	43,690
Computer Supplies	0	0	289
Dues, Fees & Licenses	26,215	26,215	356,822
Education & Seminars	7,674	7,674	58,092
Meals & Entertainment	6,928	6,928	28,996
Office Supplies	23,048	23,048	129,773
Travel	17,997	17,997	78,995
Miscellaneous Expense	36,660	36,660	279,964
Franchise, Excise & Property Taxes & Sales/Use Tax	47,453	47,453	108,812
Insurance	86,990	86,990	387,966
Leases & Rentals of equipment	34,638	34,638	145,200
Repairs/Maintenance Agreements	90,144	90,144	538,554
Relocation Expense Total	0	0	13,692
Training and Orientation Total	0	0	0
Temp/Contract Personnel	150,070	150,070	873,620
Covenant Management Fees	409,363	409,363	1,468,156
Total ALLOCATED Expenses	1,784,691	1,784,691	7,259,147
36. TOTAL ADMINISTRATION (Lines 31 to 36)	1,038,060	1,038,060	4,818,993
FIT & Excise Tax	0	0	0
37. Total Other Expenses:	0	0	0
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	77,212,436	77,212,436	260,018,898
39. NET INCOME (LOSS) (Line 4 less Line 38)	761,224	761,224	4,510,536

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance		2,713,815
2.	Net investment income	979,113	3,706,687
3.	Miscellaneous income	217,068	1,249,239
4.	Total (Lines 1 through 3)	1,196,181	7,669,741
5.	Benefit and loss related payments	179,575	2,233,153
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	(926,173)	26,475,929
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	(746,598)	28,709,082
11.	Net cash from operations (Line 4 minus Line 10)	1,942,779	(21,039,341)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	804,143	45,967,675
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	804,143	45,967,675
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	1,709,532	22,945,277
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	1,709,532	22,945,277
14.	Net increase (or decrease) in policy loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(905,389)	23,022,398
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Lines 11 plus 15 plus 17)	1,037,390	1,983,057
19.	Cash and short-term investments:		
19.1	Beginning of year	5,759,406	3,776,349
19.2	End of period (Line 18 plus Line 19.1)	6,796,796	5,759,406

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

Description		Amount 1	Amount 2
20.0001		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

		1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
			2	3	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total			Individual	Group										
Total Members at end of:														
1.	Prior Year	131,008								131,008				
2.	First Quarter	132,692								132,692				
3.	Second Quarter													
4.	Third Quarter													
5.	Current Year													
6.	Current Year Member Months	396,520								396,520				
Total Member Ambulatory Encounters for Period:														
7.	Physician	292,474								292,474				
8.	Non-Physician	128,354								128,354				
9.	Total	420,828								420,828				
10.	Hospital Patient Days Incurred	8,848								8,848				
11.	Number of Inpatient Admissions	2,459								2,459				
12.	Health Premiums Written													
13.	Life Premiums Direct													
14.	Property/Casualty Premiums Written													
15.	Health Premiums Earned													
16.	Property/Casualty Premiums Earned													
17.	Amount Paid for Provision of Health Care Services ...	168,285								168,285				
18.	Amount Incurred for Provision of Health Care Services	(18,143)								(18,143)				

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims						
1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
Individually Listed Claims Unpaid						
..... (1,011)	..... (1,011)
0199999 Individually Listed Claims Unpaid (1,011)	..... (1,011)
0299999 Aggregate Accounts Not Individually Listed - Uncovered
0399999 Aggregate Accounts Not Individually Listed - Covered
0499999 Subtotals (1,011)	..... (1,011)
0599999 Unreported claims and other claim reserves .....						..... 1,236,093
0699999 Total Amounts Withheld
0799999 Total Claims Unpaid .....						..... 1,235,082
0899999 Accrued Medical Incentive Pool And Bonus Amounts

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business		Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1+3)	6 Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
		1	2	3	4		
		On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1.	Comprehensive (hospital & medical) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid	168,285	.....	1,235,082	.....	1,403,367	1,421,510
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8)	168,285	.....	1,235,082	.....	1,403,367	1,421,510
10.	Other non-health .....	.....	.....	.....	.....	.....	.....
11.	Medical incentive pools, and bonus amounts .....	.....	.....	.....	.....	.....	.....
12.	TOTALS	168,285	.....	1,235,082	.....	1,403,367	1,421,510

Notes to Financial Statement

No significant changes or events have occurred since the most recent annual statement was filed.

17c)	WASH SALES
	Not applicable

GENERAL INTERROGATORIES
(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements?

Yes[] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state?

Yes[] No[] N/A[X]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 3.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4. Have there been any substantial changes in the organizational chart since the prior quarter end?
If yes, complete the Schedule Y - Part 1 - organization chart

Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

Yes[] No[] N/A[X]
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2000
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2000
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/12/2002
- 7.4 By what department or departments?
Tennessee Department of Commerce & Insurance - TennCare Division
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes[] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
.....	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]

INVESTMENT

- 10.1 Has there been any changes in the reporting entity's own preferred or common stock?

Yes[] No[X]
- 10.2 If yes, explain:
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$
13. Amount of real estate and mortgages held in short-term investments:

\$
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[] No[X]
- 14.2 If yes, please complete the following:

GENERAL INTERROGATORIES (Continued)

		1	2
		Prior Year-End Statement Value	Current Quarter Statement Value
14.21	Bonds		
14.22	Preferred Stock		
14.23	Common Stock		
14.24	Short-Term Investments		
14.25	Mortgages, Loans or Real Estate		
14.26	All Other		
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)		
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above		
14.29	Receivable from Parent not included in Lines 14.21 to 14.26 above		

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes[] No[X]
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[] N/A[X]
16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV, H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]
- 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian Address
The Northern Trust Company	50 LaSalle Street, Chicago, IL 60675
First Tennessee Bank	Box 84 Safekeeping M-Level, Memphis, TN 38101

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)
.....

- 16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes[] No[X]
- 16.4 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason
.....

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address
108718	Martin and Company	Two Centre Square, St 200
.....	.....	625 S. Gay St, Knoxville, TN 37902-1669

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Increase (decrease) by adjustment		
3.	Cost of acquired		
4.	Cost of additions to and permanent improvements		
5.	Total profit (loss) on sales		
6.	Increase (decrease) by foreign exchange adjustment		
7.	Amount received on sales		
8.	Book/adjusted carrying value at end of current period		
9.	Total valuation allowance		
10.	Subtotal (Lines 8 plus 9)		
11.	Total nonadmitted amounts		
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)		

SCHEDULE B - VERIFICATION

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year ..		
2.	Amount loaned during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount and mortgage interest points and commitment fees		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)		

SCHEDULE BA - VERIFICATION
Other Invested Assets Included in Schedule BA

		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)		

SCHEDULE D - VERIFICATION

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year	47,651,742	70,496,838
2.	Cost of bonds and stocks acquired	1,709,532	22,945,277
3.	Accrual of discount	7,247	
4.	Increase (decrease) by adjustment		(434,282)
5.	Increase (decrease) by foreign exchange adjustment		
6.	Total profit (loss) on disposal	28,682	611,584
7.	Consideration for bonds and stocks disposed of	804,143	45,967,675
8.	Amortization of premium	90,786	
9.	Book/adjusted carrying value, current period	48,502,274	47,651,742
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)	48,502,274	47,651,742
12.	Total nonadmitted amounts		
13.	Statement value	48,502,274	47,651,742

SCHEDULE D - PART 1B
Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	43,579,466	1,709,532	775,460	(81,231)	44,432,307			43,579,466
2. Class 2	4,072,275			(2,308)	4,069,967			4,072,275
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. TOTAL Bonds	47,651,741	1,709,532	775,460	(83,539)	48,502,274			47,651,741
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. TOTAL Preferred Stock								
15. TOTAL Bonds & Preferred Stock	47,651,741	1,709,532	775,460	(83,539)	48,502,274			47,651,741

14 Schedule DA Part 1 - NONE

14 Schedule DA Part 2 Verification - NONE

15 Schedule DB Part F Section 1 - NONE

16 Schedule DB Part F Section 2 - NONE

17 Schedule S Ceded Reinsurance - NONE

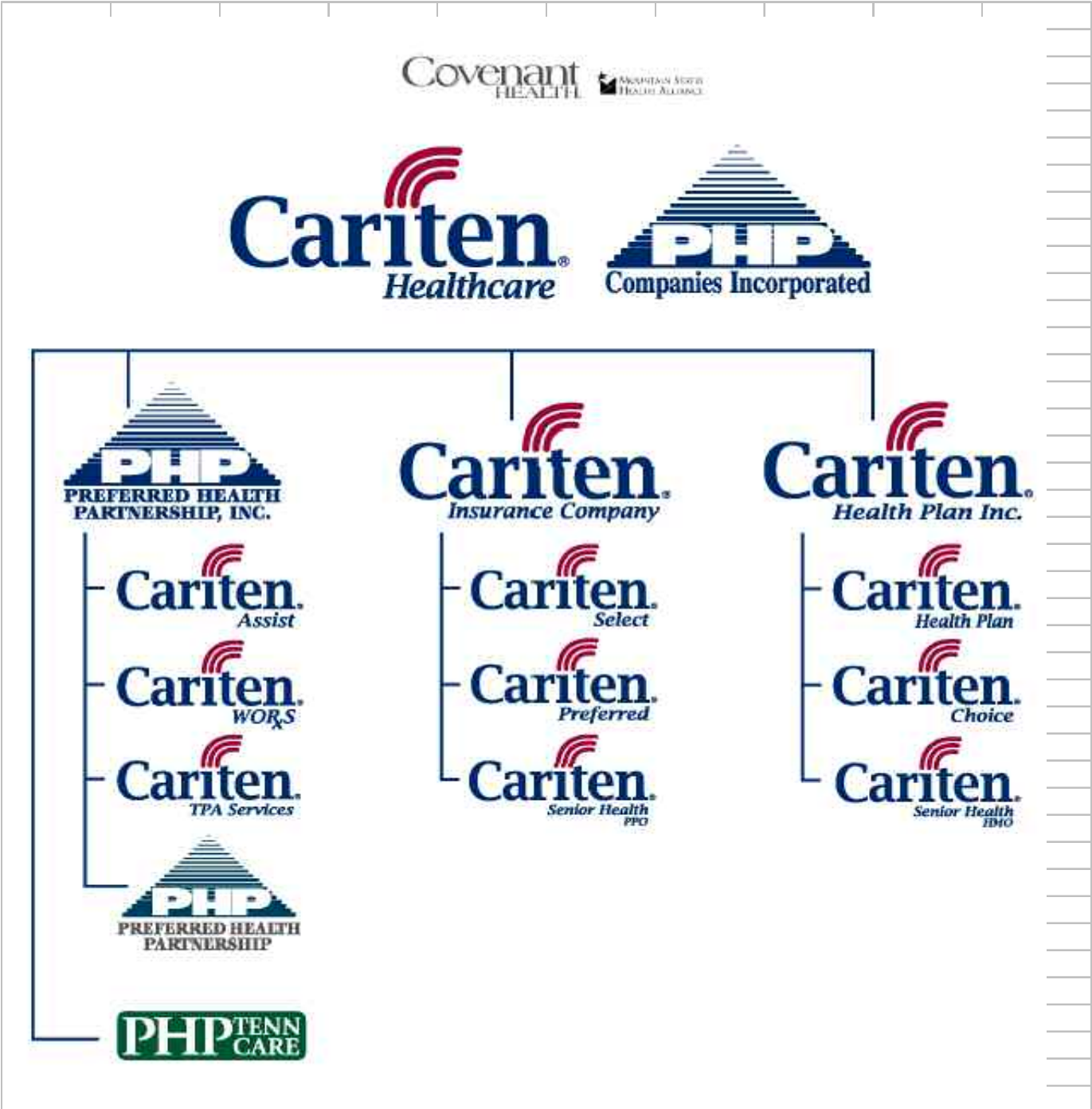
SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	2	Direct Business Only Year-to-Date					
				3	4	5	6	7	8
State, Etc.		Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Deposit-Type Contract Funds	Property/Casualty Premiums
1.	Alabama (AL)	No ..	No ..						
2.	Alaska (AK)	No ..	No ..						
3.	Arizona (AZ)	No ..	No ..						
4.	Arkansas (AR)	No ..	No ..						
5.	California (CA)	No ..	No ..						
6.	Colorado (CO)	No ..	No ..						
7.	Connecticut (CT)	No ..	No ..						
8.	Delaware (DE)	No ..	No ..						
9.	District of Columbia (DC)	No ..	No ..						
10.	Florida (FL)	No ..	No ..						
11.	Georgia (GA)	No ..	No ..						
12.	Hawaii (HI)	No ..	No ..						
13.	Idaho (ID)	No ..	No ..						
14.	Illinois (IL)	No ..	No ..						
15.	Indiana (IN)	No ..	No ..						
16.	Iowa (IA)	No ..	No ..						
17.	Kansas (KS)	No ..	No ..						
18.	Kentucky (KY)	No ..	No ..						
19.	Louisiana (LA)	No ..	No ..						
20.	Maine (ME)	No ..	No ..						
21.	Maryland (MD)	No ..	No ..						
22.	Massachusetts (MA)	No ..	No ..						
23.	Michigan (MI)	No ..	No ..						
24.	Minnesota (MN)	No ..	No ..						
25.	Mississippi (MS)	No ..	No ..						
26.	Missouri (MO)	No ..	No ..						
27.	Montana (MT)	No ..	No ..						
28.	Nebraska (NE)	No ..	No ..						
29.	Nevada (NV)	No ..	No ..						
30.	New Hampshire (NH)	No ..	No ..						
31.	New Jersey (NJ)	No ..	No ..						
32.	New Mexico (NM)	No ..	No ..						
33.	New York (NY)	No ..	No ..						
34.	North Carolina (NC)	No ..	No ..						
35.	North Dakota (ND)	No ..	No ..						
36.	Ohio (OH)	No ..	No ..						
37.	Oklahoma (OK)	No ..	No ..						
38.	Oregon (OR)	No ..	No ..						
39.	Pennsylvania (PA)	No ..	No ..						
40.	Rhode Island (RI)	No ..	No ..						
41.	South Carolina (SC)	No ..	No ..						
42.	South Dakota (SD)	No ..	No ..						
43.	Tennessee (TN)	No ..	Yes ..						
44.	Texas (TX)	No ..	No ..						
45.	Utah (UT)	No ..	No ..						
46.	Vermont (VT)	No ..	No ..						
47.	Virginia (VA)	No ..	No ..						
48.	Washington (WA)	No ..	No ..						
49.	West Virginia (WV)	No ..	No ..						
50.	Wisconsin (WI)	No ..	No ..						
51.	Wyoming (WY)	No ..	No ..						
52.	American Samoa (AS)	No ..	No ..						
53.	Guam (GU)	No ..	No ..						
54.	Puerto Rico (PR)	No ..	No ..						
55.	U.S. Virgin Islands (VI)	No ..	No ..						
56.	Canada (CN)	No ..	No ..						
57.	Aggregate other alien (OT)	X X X ..	X X X ..						
58.	TOTAL (Direct Business)	X X X ..	(a)..... 1						
DETAILS OF WRITE-INS									
5701	.....	X X X ..	X X X ..						
5702	.....	X X X ..	X X X ..						
5703	.....	X X X ..	X X X ..						
5798.	Summary of remaining write-ins for Line 57 from overflow page	X X X ..	X X X ..						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)	X X X ..	X X X ..						

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

1. Will the SVO Compliance Certification be filed with this statement?

RESPONSES

Yes

Explanation:

Bar Code:

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104.
2197. Summary of remaining write-ins for Line 21 (Line 2104 through 2196)

E01 Schedule A Part 2 - NONE

E01 Schedule A Part 3 - NONE

E02 Schedule B Part 1 - NONE

E02 Schedule B Part 2 - NONE

E03 Schedule BA Part 1 - NONE

E03 Schedule BA Part 2 - NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
665278107	NORTHERN TRUST MONEY MARKET .....	.....	..... 01/01/2004	NORTHERN TRUST .....	..... X X X .....	..... 959,795 .....	..... 959,794.97 .....	.....	1Z
0399999 Subtotal - Bonds - U.S. Governments .....					..... X X X .....	..... 959,795 .....	..... 959,794.97 .....	.....	..... X X X
Bonds - Industrial and Miscellaneous									
02003EAD4	PVTPL ALLSTATE LIFE GLOBAL .....	.....	..... 01/13/2004	NORTHERN TRUST .....	..... X X X .....	..... 749,738 .....	..... 750,000.00 .....	.....	1FE
4599999 Subtotal - Bonds - Industrial and Miscellaneous .....					..... X X X .....	..... 749,738 .....	..... 750,000.00 .....	.....	..... X X X
6099997 Subtotal - Bonds - Part 3 .....					..... X X X .....	..... 1,709,532 .....	..... 1,709,794.97 .....	.....	..... X X X
6099998 Summary Item for Bonds Bought and Sold This Quarter .....					..... X X X .....	..... X X X .....	..... X X X .....	..... X X X .....	..... X X X
6099999 Subtotal - Bonds .....					..... X X X .....	..... 1,709,532 .....	..... 1,709,794.97 .....	.....	..... X X X
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter .....					..... X X X .....	..... X X X .....	..... X X X .....	..... X X X .....	..... X X X
7299998 Summary Item for Common Stock Bought and Sold This Quarter .....					..... X X X .....	..... X X X .....	..... X X X .....	..... X X X .....	..... X X X
7399999 Subtotal - Preferred and Common Stock .....					..... X X X .....	.....	..... X X X .....	.....	..... X X X
7499999 Total - Bonds, Preferred and Common Stock .....					..... X X X .....	..... 1,709,532 .....	..... X X X .....	.....	..... X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of
by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	F o r e i g n	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments																					
31359MHB2	FNMA		01/15/2004	NORTHERN TRUST	X X X	804,143	750,000.00	793,792	775,460						775,460		28,682	28,682		02/15/2006	1PE
0399999 Subtotal - Bonds - U.S. Governments					X X X	804,143	750,000.00	793,792	775,460						775,460		28,682	28,682		X X X	X X X
6099997 Subtotal - Bonds - Part 4					X X X	804,143	750,000.00	793,792	775,460						775,460		28,682	28,682		X X X	X X X
6099998 Summary Item for Bonds Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
6099999 Subtotal - Bonds					X X X	804,143	750,000.00	793,792	775,460						775,460		28,682	28,682		X X X	X X X
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7299998 Summary Item for Common Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7399999 Subtotal - Preferred and Common Stock					X X X		X X X													X X X	X X X
7499999 Total - Bonds, Preferred and Common Stock					X X X	804,143	X X X	793,792	775,460						775,460		28,682	28,682		X X X	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E06 Schedule DB Part A Section 1 - NONE

E06 Schedule DB Part B Section 1 - NONE

E07 Schedule DB Part C Section 1 - NONE

E07 Schedule DB Part D Section 1 - NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances										
1			2	3	4	5	Book Balance at End of Each Month			9
							During Current Quarter			
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
							First Month	Second Month	Third Month	
open depositories										
Cash on Deposit	First Tennessee Bank				14,486		7,433,352	8,032,324	6,796,796	X X X
0199998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X .	X X X ..						X X X
0199999 Totals - Open Depositories			X X X .	X X X ..	14,486		7,433,352	8,032,324	6,796,796	X X X
0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X .	X X X ..						X X X
0299999 Totals - Suspended Depositories			X X X .	X X X ..						X X X
0399999 Total Cash On Deposit			X X X .	X X X ..	14,486		7,433,352	8,032,324	6,796,796	X X X
0499999 Cash in Company's Office			X X X .	X X X ..	X X X .	X X X ..				X X X
0599999 Total Cash			X X X .	X X X ..	14,486		7,433,352	8,032,324	6,796,796	X X X



SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with making all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

- 1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been provided by the SVO, except for provisionally exempt securities and new purchases identified in Schedule D and DA with a Z suffix or items submitted but not yet processed by the SVO.
- 2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.
- 3. All necessary information on securities that have been previously designated NR (not rated due to lack of current information) by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.
- 4. All material issuer events (as defined below) have been reported to the SVO."

A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware that, by its nature, would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

- a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;
- b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;
- c. Any change in the maturity of a security;
- d. Changes in the lender’s collateral position, including releases of collateral, or the taking of a collateral position whether by operation of negative pledge covenant or otherwise;
- e. Events of a like character or of a like effect, which would be considered material to an investment professional.
- f. Exceptions_____

Jeffery S. Collake
Name of Investment Officer

Signature of Investment Officer

Chief Financial Officer
Title of Signatory

Date

ACT Actuarial Statement - NONE

AEP Amended Explanation - NONE

SCHEDULE F - PREMIUMS RECEIVABLE (Other than Affiliates)

Individually list all debtors with account balances the greater of 10% of gross Premiums Receivable or \$5,000.

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	6 Admitted
INDIVIDUALLY LIST RECEIVABLES						
State of Tennessee - Withhold						0 0
Subtotal - Individually Listed Receivables 0199999	0					0
Subtotal - Receivables not Individually Listed 0299999						
Subtotal - Gross Premiums Receivable 0399999	0					0
Less Allowance for Doubtful Accounts 0499999						
Total Premiums Receivable (Page 2, Line 2) 0599999						0

SCHEDULE G - 2 AMOUNTS DUE FROM AFFILIATES

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	Admitted	
						6 Current	7 Non-Current
PHP Companies Preferred Health Partnership Inc. Cariten Insurance Company Cariten Health Plan, Inc.		0	5,275,894	160,600 78,816	5,436,494 78,816		
0199999 - Gross Amounts Due from Affiliates	0	0	5,275,894	239,416	5,515,310		
0299999 - Less Allowance for Doubtful Accounts							
0399999 - Amounts Due from Affiliates (Page 2, Line 5)					5,515,310		

INDEX TO HEALTH QUARTERLY STATEMENT

Accident and Health Insurance; 18
Accounting Changes and Corrections of Errors; Q11; 25, Note 2
Accounting Practices and Policies; Q5; 25, Note 1
Admitted Assets; Q2; 2; 29; Supp10; 26
Affiliated Transactions; 52; E14
Bonds; Q2; Q6; Q11.1; QE04; QE05; 2; 6; 15; 16; 26; 27.2; 27.4; 29; 32; 33; 34; 35; 36; 37; 38; E08; E11; E12; E13; Supp7
Bonuses; Q3; Q4; Q8; Q9; 3; 4; 7; 9; 11; 20; 23; 28.1; 49
Borrowed Funds; Q3; Q6; 3; 6
Business Combinations and Goodwill; 25, Note 3
Capital Gains (Losses)
Realized; Q4; 4; 7; 29; 40; E12; E13; E21
Unrealized; Q4; Q5; 4; 5
Capital Stock; Q2; 2; 25, Note 13
Capital Notes; Q6; 6; 25, Note 11
Cash; Q2; Q6; QE08; 2; 6; 15; 16; 26; 49; E23
Cash Equivalents; Q2; Q6; 2; 6; 15; 16; 26; E24
Claims; Q3; Q8; 3; 9; 11; 12; 20; 29; 48; 49; Supp1; Supp27; Supp48; Supp55; Supp57; Supp58; Supp59; Supp60; Supp61; Supp62
Coinsurance; 44; Supp17
Collars; QE07
Commissions; Q6; 6; 48; Supp25; Supp55
Common Stock; Q2; Q3; Q6; Q11.1; 2; 3; 6; 15; 16; 26; 27; 28; 29; 32; E10; E11; E12; E13; Supp7
Cost Containment Expenses; Q4; 4; 7; 19; Supp59
Contingencies; 25, Note 14
Counterparty Exposure; 25, Note 8
Debt; 25, Note 11
Deferred Compensation; 25, Note 2
Derivative Instruments; Q15; 25, Note 8; 42
Deposit-Type Contracts; Supp16
Discontinued Operations; 25, Note 4
Electronic Data Equipment; Q2; 2; 16
Encumbrances; Q2; QE01; 2; E02; E03; E06; E07
Emergency Room; Q4; 4; 7
Enrollment and Utilization; 17
Expenses; Q3; Q4; Q6; 3; 4; 6; 7; 12; 14; 15; 27.4; 29; Supp49; Supp55; Supp56; Supp59; Supp60; Supp61; Supp62
Experience Rating Refunds; 13; Supp20
Extinguishment of Liabilities; 25, Note 17
Extraordinary Item; 25, Note 21
Fee for Service; Q4; 4; 7; 23
Foreign Exchange; Q2; Q5; Q12; QE01; QE02; 2; 5; 16; 31; 32; 39; E01; E02; E03; E05; E06; E07; E09; E12; E13; E15
Forwards; QE07; 41; E19; E20
Furniture, Equipment and Supplies; Q2; 2; 16; 24
Futures Contracts; 41
Guaranty Fund; Q2; Q18; 2; 16; 50
Health Care Receivables; Q2; 2; 16; 19; 25, Note 28
Health Statement Test; 28
Hospital/Medical Benefits; Q4; 4; 7; 48
Incentive Pools; Q3; Q4; Q9; 3; 4; 7; 9; 11; 20; 23; 28.1; 49
Income; Q4; Q5; 4; 5; 29
Income Taxes; Q2; Q3; Q4; Q5; 2; 3; 4; 5; 15; 16; 25, Note 9; Supp57
Incurred Claims and Claim Adjustment Expenses; Supp49; Supp50; Supp51; Supp52; Supp53; Supp54; 25, Note 25
Intercompany Pooling; Supp27; Supp28; Supp29; Supp30; Supp31; Supp32; Supp33; Supp34; Supp35; Supp36; Supp37; Supp38; Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; SUp47; Supp48; 25, Note26
Investment Income; 25, Note 7
Accrued; Q2; 2; 16
Earned; Q2; Q14; 4; 15; 39; E24
Received; Q6; 6; 39
Investments; Q11.1; 15; 27.3; Supp7; Supp12; Supp57; 25, Note 5
Joint Ventures; 25, Note 6
Leases; 25, Note 15
Limited Liability Company (LLC); 25, Note 6
Limited Partnership; 25, Note 6
Long-Term Care Insurance; 8; 53; Supp3; Supp4; Supp5; Supp6
Long-Term Invested Assets; QE03; 31; E06
Loss Development; 12
Managing General Agents; 25, Note 19
Maximum Retained Risk; 28
Member Months; Q4; Q7; 4; 17; 29; 30
Minimum Net Worth; 28.1
Mortgage Loans; Q2; Q6; Q11.1; QE02; 2; 6; 15; 16; 26; 29; E04; E05; Supp11
Non Admitted Assets; Q2; Q5; Q12; 2; 5; 16; 32; 39
Off-Balance Sheet Risk; 25, Note 16
Options; QE06; 27.2; 40; E16; E17; E18
Organizational Chart; Q11; Q19; 51

**INDEX TO HEALTH
QUARTERLY STATEMENT**

Out-of-Area; Q4; 4; 7

Outside Referrals; Q4; 4; 7

Parents, Subsidiaries and Affiliates; Q2; Q3; Q11.1; 2; 3; 16; 21; 25, Note 10; 22; 32

Participating Policies; 25, Note 29; Supp15

Pharmaceutical Rebates; 25, Note 28

Policyholder Dividends; Q6; 6; Supp55

Postemployment Benefits; 25, Note 12

Postretirement Benefits; 25, Note 12

Preferred Stock; Q2; Q3; Q6; Q11.1; 2; 3; 6; 15; 16; 26; 27.2; 27.4; 29; 32; E09; E11; E12; E13; Supp7

Premium Deficiency Reserves; 25, Note 30

Premiums and Considerations

 Advance; Q3; 3; 49

 Collected; Q6; 6

 Deferred; Q2; 2

 Direct; Q7; Q18; 28; 30; 49; 50; Supp20

 Earned; Q7; 7; 12; 28; 29; 30; Supp1; Supp27; Supp55; Supp57

 Retrospective; Q2; 12

 Uncollected; Q2; 2; 16

 Unearned; Q4; 4; Q7; 7; 13

 Written; Q4; Q7; 4; 18; 30; 49; 50; Supp20; Supp55; Supp59; Supp60; Supp61; Supp62

Prescription Drugs; Q4; 4; 7

Product Type; 17

Provider Transactions; 23

Quasi Reorganizations; 25, Note 13

Real Estate; Q2; QE01; 2; 15; 16; 26; 29; E01; E02; E03

Redetermination, Contracts Subject to; 25, Note 24

Reinsurance; 25, Note 23

 Assumed; 8; 9; 10; 44; Supp17; Supp25; Supp26; Supp27; Supp28; Supp29; Supp30; Supp31; Supp32; Supp33; Supp34; Supp35; Supp36; Supp37; Supp38; Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; Supp47; Supp48

 Ceded; Q3; Q17; 3; 8; 9; 10; 44; Supp14; Supp26; Supp27; Supp28; Supp29; Supp30; Supp31; Supp32; Supp 33; Supp34; Supp35; Supp36; Supp37; Supp38; Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; Supp47; Supp48

 Claims; 9; 10; 44; 45; 48

 Funds Held; Q2; 2; 16; Supp25

 Payable; Q3; 3; 45

 Premiums; Q3; 3; 8

 Receivable; Q2; Q4; 2; 7; 9; 16; 48; 49

 Unauthorized; Q3; Q5; 3; 47; 48; 49

Reserves

 Accident and Health; Q3; Q4; 3; 4; 7

 Annuity; Supp19

 Claims; Q3; Q5; Q8; 3; 5; 9

 Life; Q3; 3; 7; Supp14

Retirement Plans; 25, Note 12; Supp22

Retrospectively Rated Policies; 25, Note 24

Risk-Based Capital; 53

 Adjusted Capital; 29

 Authorized Control Level; 29

Risk Revenue; Q4; 4; 7

Salvage and Subrogation; 25, Note 31; Supp27; Supp28; Supp29; Supp30; Supp31; Supp 32; Supp33; Supp34; Supp35; Supp36; Supp37; Supp38; Supp39; Supp40; Supp41; Supp42; Supp43; Supp44; Supp45; Supp46; Supp47; Supp48

September 11 Events; 25, Note 20

Servicing of Financial Assets; 25, Note 17

Short-Term Investments; Q2; Q6; Q11.1; Q14; 2; 6; 15; 26; 29; 39; E15

Special Deposits; E25

Stockholder Dividends; Q5; 5

Stop Loss; 8

Subsequent Events; 25, Note 22

Surplus; Q3; Q5; 3; 5; 25, Note 13; 29

Surplus Notes; Q3; Q5; Q6; 3; 5; 6

Swaps; QE07; E19; E20

Synthetic Assets; Q15; Q16; 42; 43

Third Party Administrator; 25, Note 19

Treasury Stock; Q3; Q5; 3; 5; 6

Uninsured Accident and Health; Q2; Q3; 2; 3; 16; 25, Note 18

Wash Sales; 25, Note 17

Withholds; Q4; Q8; 4; 7; 10; 20; 23; 28.1

QUARTERLY DISKETTE TRANSMITTAL FORM AND CERTIFICATION
 (HEALTH)

Name of Insurer
 Preferred Health Partnership of Tennessee, Inc.

Date
 1253
 FEIN
 62-1546662
 NAIC Group #
 NAIC Company #
 95749

THIS FORM IS REQUIRED FOR ALL DISKETTE TRANSMITTALS, PLEASE PROVIDE ANY ADDITIONAL COMMENTS THAT MAY
 HELP TO IDENTIFY DISKETTE CONTENT

	First Quarter	Second Quarter	Third Quarter
A01. Is this the first time you've submitted this filing? (Y/N)	N/A	N/A	N/A
A02. Is this being re-filed at the request of the NAIC or a state insurance department? (Y/N)	N/A	N/A	N/A
A03. Is this being re-filed due to changes to the data originally filed? (Y/N)	N/A	N/A	N/A
(IF "YES" ENCLOSE HARD COPY PAGES FOR EACH CHANGE.)			
A04. Other? (Y/N)	N/A	N/A	N/A
(If "yes" attach an explanation.)			

B. Additional comments if necessary for clarification:

C. Diskette Contact Person:

Phone:

Address:

D. Software Vendor:

Version:

E. Have material validation failures been addressed in the explanation file? Yes[] No[X]

F. The undersigned hereby certifies, according to the best of his/her knowledge and belief: that the diskettes submitted with this form were prepared in compliance with the NAIC specifications, that the diskettes have been tested against the validations included with these specifications, and that quarterly statement information required to be contained on diskette is identical to the information in the 2004 Quarterly Statement blank filed with the insurer's domiciliary state insurance department. In addition, the diskettes have been scanned through a virus detection software package, and no viruses are present on the diskettes. The virus detection software used was (name):

(version number):

(Signed)

Type Name and Title:

NAIC Company Code 95749
NAIC Group Code 1253

Reporting Entity Name Preferred Health Partnership of Tennessee, Inc.
Domiciled in Tennessee (State)
Mailing Address: 1420 Centerpoint Blvd., Knoxville, TN 37932
Annual Statement Contact: Melissa R Anderson (865)670-7282 manders1@covhlth.com
(Name) Telephone No. E-mail Address

In the Matter of the Quarterly Statement
(Annual/Quarterly)

Filing Required for the Period Ending on the
31 day of March, 2004
Mailing Date: 05/25/2004

} AFFIDAVIT OF FILING
AND FINANCIAL
STATEMENT ATTESTATION

The officers of the above identified reporting entity, being duly sworn, each depose and say that on the mailing date above, a true and correct statement for the reporting period stated above and that the corresponding true and correct electronic file reflecting the statement for the above named reporting entity, has been sent to the National Association of Insurance Commissioners, according to their instructions. The statement and the corresponding electronic file are an exact and complete duplicate of the statement filed with the reporting entity’s domestic state, except as to schedules, exhibits and information required to be submitted only to the reporting entity’s domestic state.

Additionally, the officers of the above identified reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that for the reporting period stated above, all of the described assets in the above referenced statement were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as therein stated, and that the statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended on that date, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual, except to the extent that (1) state law may differ; or (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)
Lance K. Hunsinger
(Printed Name)
President

(Signature)
Jeffery S. Collake
(Printed Name)
Secretary

(Signature)
Jeffery S. Collake
(Printed Name)
Chief Financial Officer

(Signature)
(Printed Name)
Melissa Anderson

Subscribed and sworn to before me this
day of , 2004

(Notary Signature)
My Commission Expires: